

CITY OF FRESNO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED
JUNE 30, 2021

**CITY OF FRESNO
SINGLE AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2021**

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of the
City Council of the
City of Fresno, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fresno (the City), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 19, 2022. Our report includes references to other auditors who audited the financial statements of the Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 through 2021-002, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-004.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Bakersfield, California
January 19, 2022

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL
OVER COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Honorable Mayor and Members of the
City Council of the
City of Fresno, California

Report on Compliance for Each Major Federal Program

We have audited the City of Fresno’s (the City) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended June 30, 2021. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City’s compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-004.

The City's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-003 and 2021-004 to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards and Schedule of Expenditures of State or Local Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic

financial statements. We issued our report thereon dated January 19, 2022, which contained unmodified opinions on those financial statements. Other auditors audited the financial statements of the Successor Agency to the Fresno Redevelopment Agency Private-Purpose Trust Fund, as described in our report on the City's financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards and the schedule of expenditures of state or local awards are presented for purposes of additional analysis as required by the Uniform Guidance and the State of California, respectively, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of expenditures of state or local awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Bakersfield, California
September 28, 2022

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

CITY OF FRESNO
Schedule of Expenditures of Federal Awards Year Ended June 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
US Department of Commerce					
<i>Economic Development Cluster:</i>					
Economic Development Administration (EDA) - Direct Program					
Investments for Public Works and Economic Development Facilities - 07 01 07362 EDA South Van Ness Industrial Area Roadway and Utilities Infrastructure Improvement	11.300		EDA 07 01 07362	-	2,254,970
COVID-19: Economic Adjustment Assistance - CARES Program Revolving Loan Fund	11.307		07-79-07577	810,188	810,188
Economic Adjustment Assistance - EDA Program Revolving Loan Fund	11.307		07-39-02434	874,651	874,651
<u>Total Economic Development Administration (EDA) - Direct Program</u>				<u>1,684,839</u>	<u>3,939,809</u>
<i>Total Economic Development Cluster</i>				<u>1,684,839</u>	<u>3,939,809</u>
TOTAL US DEPARTMENT OF COMMERCE				1,684,839	3,939,809
US Department of Housing and Urban Development					
<i>Community Development Block Grants (CDBG) - Entitlement Grants Cluster</i>					
Office of Community Planning and Development - Direct Program					
2016 Community Development Block Grants/Entitlement Grants	14.218		B-15-MC-06-0001	69,826	106,741
2018 Community Development Block Grants/Entitlement Grants	14.218		B-17-MC-06-0001	-	15,581
2019 Community Development Block Grants/Entitlement Grants	14.218		B-18-MC-06-0001	74,077	310,596
2020 Community Development Block Grants/Entitlement Grants	14.218		B-19-MC-06-0001	559,021	1,046,403
2021 Community Development Block Grants/Entitlement Grants	14.218		B-20-MC-06-0001	12,057	2,529,526
2021 Community Development Block Grants/Entitlement Grants	14.218		B-20-MW-06-0001	-	24,097
Neighborhood Stabilization Program 1 - 2010	14.218		B-08-MN-06-0003	36,138	36,138
<u>Total Office of Community Planning and Development - Direct Program</u>				<u>751,119</u>	<u>4,069,082</u>
<i>Total CDBG - Entitlement Grants Cluster</i>				<u>751,119</u>	<u>4,069,082</u>
Emergency Solutions Grant (ESG) Program - Direct Program					
2017 Emergency Solutions Grant Program	14.231		E-16-MC-06-0001	54,391	68,571
2018 Emergency Solutions Grant Program	14.231		E-17-MC-06-0001	45,137	48,605
2019 Emergency Solutions Grant Program	14.231		E-18-MC-06-0001	23,043	40,213
2020 Emergency Solutions Grant Program	14.231		E-19-MC-06-0001	170,903	170,903
2021 Emergency Solutions Grant - Coronavirus Program	14.231		E-20-MW-06-0001	75,768	122,263
2021 Emergency Solutions Grant Program	14.231		E-20-MC-06-0001	143,352	177,016
<u>Total Emergency Solutions Grant (ESG) Program - Direct Program</u>				<u>512,594</u>	<u>627,571</u>
Home Investment Partnership Program (HOME) - Direct Program					
2014 Home Investment Partnership Program	14.239		M-13-MC-06-0204	-	24,217
2016 Home Investment Partnership Program	14.239		M-15-MC-06-0204	-	(14,676)
2018 Home Investment Partnership Program	14.239		M-17-MC-06-0204	856,218	885,662
2019 Home Investment Partnership Program	14.239		M-18-MC-06-0204	296,231	337,067
2020 Home Investment Partnership Program	14.239		M-19-MC-06-0204	-	48,743
2020 Home Investment Partnership Program	14.239		M-19-MC-06-0204	104,284	104,284
2021 Home Investment Partnership Program	14.239		M-20-MC-06-0204	25,942	26,889
<u>Total Home Investment Partnership Program (HOME) - Direct Program</u>				<u>1,282,675</u>	<u>1,412,186</u>
Office of Community Planning and Development - Direct Program					
2018 Housing Opportunities for Persons with AIDS (HOPWA - PY16)	14.241		CAH16F011	221,413	221,413
2018 Housing Opportunities for Persons with AIDS (HOPWA - PY17)	14.241		CAH17F011	60,942	60,942
2019 Housing Opportunities for Persons with AIDS (HOPWA - PY18)	14.241		CAH18F011	-	(3,000)
2019 Housing Opportunities for Persons with AIDS (HOPWA)	14.241		CAH18F011	-	11,834
2020 Housing Opportunities for Persons with AIDS (HOPWA)	14.241		CAH19F011	248,118	258,269
2020 Housing Opportunities for Persons with AIDS (HOPWA)	14.241		CAH20FHW011	76,972	80,928
<u>Total Office of Community Planning and Development - Direct Program</u>				<u>607,445</u>	<u>630,386</u>
TOTAL US DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				3,153,833	6,739,225
US Department of Justice					
Bureau of Justice Assistance - Direct Program					
COVID-19: FY20 Corona Virus Emergency Supplemental Program	16.034		2020-VD-BX-0206	-	360,165
<u>Total Bureau of Justice Assistance - Direct Program</u>				<u>-</u>	<u>360,165</u>

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021**

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
US Department of Justice (Continued)					
Equitable Revenue Sharing Program - Direct Program					
Joint Law Enforcement Operations (JLEO) - Seized Assets	16.111		2011	-	10,649
<u>Total Equitable Revenue Sharing Program - Direct Program</u>				-	10,649
Public Safety Partnership and Community Policing Grants - Direct Program					
Law Enforcement Mental Health and Wellness Act (LEMHWA) 2020	16.710		2020MHWXK011	-	33,875
Public Safety Partnership and Community Policing Grants - COPS Hiring Program (CHP) 2015	16.710		2015ULWX0004	-	(1,817)
<u>Total Office of Community Oriented Policing Services (COPS) - Direct Program</u>				-	32,058
Office of Juvenile Justice and Delinquency Prevention - Direct Program					
Community-Based Violence Prevention Program - FY19 Supporting Victims of Gang Violence Grant	16.123		2019-MU-MU-0013	25,166	122,399
Enforcing Underage Drinking Laws Program (2019)	16.727		18G-LA10	-	(72)
Enforcing Underage Drinking Laws Program (2020)	16.727		19G-LA16	-	(7,289)
<u>Total Office of Juvenile Justice and Delinquency Prevention - Direct Program</u>				25,166	115,038
Bureau of Justice Assistance - Direct Program					
Edward Byrne Memorial Justice Assistance Grant 2017	16.738		2017-DJ-BX-0916	-	11,052
Edward Byrne Memorial Justice Assistance Grant 2018	16.738		2018-DJ-BX-0837	-	72,332
<u>Total Bureau of Justice Assistance - Direct Program</u>				-	83,384
Office of the Attorney General - Pass-Through Program					
Edward Byrne Memorial Justice Assistance Grant -Tobacco Law Enforcement Grant (FY19-20)	16.738	CA Department of Alcoholic Beverage Control	DOJ-PRPO56-2018-1-91	-	16,598
<u>Total Office of the Attorney General - Pass-Through Program</u>				-	16,598
Bureau of Justice Assistance - Direct Program					
Sexual Assault Kit Initiative Grant	16.833		2018-AK-BX-0034	16,875	325,733
Sexual Assault Kit Initiative Grant 2019	16.833		2019-AK-BX-0021	217,754	365,070
<u>Total Bureau of Justice Assistance - Direct Program</u>				234,629	690,803
TOTAL US DEPARTMENT OF JUSTICE				259,795	1,308,695
US Department of Transportation					
Federal Aviation Administration (FAA) - Direct Program					
FAA Airport Improvement Program (AIP)					
FAA AIP 85 FF20	20.106		3-06-0087-085-2020-CARES ACT	-	7,786,210
FAA AIP 80 FF17	20.106		3-06-0087-80	-	122,039
FAA AIP 81 FF18	20.106		3-06-0087-81	-	458,197
FAA AIP 82 FF18	20.106		3-06-0087-82	-	198,726
FAA AIP 83 FF20	20.106		3-06-0087-83	-	462,085
FAA AIP 84 FF20	20.106		3-06-0087-84	-	2,440,385
FAA AIP 86 FF20	20.106		3-06-0087-86	-	31,721
FAA AIP 87 FF21	20.106		3-06-0087-87	-	99,371
FAA AIP 24 FF16	20.106		3-06-0088-24	-	91,587
FAA AIP 83	20.106		Pending	-	(462,085)
FAA AIP 84	20.106		Pending	-	(2,440,385)
Transportation Security Administration-TSA OTA					
TSA OTA	20.106		70T04020T9CAP1093	-	666,737
<u>Total Federal Aviation Administration (FAA) - Direct Program</u>				-	9,454,588
<i>Highway Planning and Construction Program Cluster</i>					
Federal Highway Administration - Pass-Through Program					
Highway Research, Planning, and Construction Program	20.205	State of California Department of Transportation	Master Agreement 06-5060	-	11,394,424
<u>Total Federal Highway Administration - Pass-Through Program</u>				-	11,394,424
<i>Total Highway Planning and Construction Program Cluster</i>					
Federal Railroad Administration - Pass-Through Program					
ARRA - High Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	California High Speed Rail Authority	HSR 11-29	-	121,071
High Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	California High Speed Rail Authority	HSR 16-37	-	13,186
High Speed Rail Corridors and Intercity Passenger Rail Service Capital Assistance Grants	20.319	California High Speed Rail Authority	HSR 16-57	-	19,987,560
<u>Total Federal Railroad Administration - Pass-Through Program</u>				-	20,121,817
<i>Total Federal Railroad Administration</i>				-	20,121,817

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by the Uniform Guidance.

CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
US Department of Transportation (Continued)					
<i>Federal Transit Cluster</i>					
Federal Transit Administration - Capital Investment Grants - Direct Program					
2012 5309: Bus Rapid Transit - Very Small Starts	20.500		CA-03-0821-00	-	730,233
2012 5309 Bus & Bus Facilities Livability Initiative	20.500		CA-04-0280-00	-	19,154
2012-14 5309: Bus Rapid Transit - Very Small Starts	20.500		CA-04-0282-00	-	(406,852)
<u>Total Federal Transit Administration - Capital Investment Grants - Direct Program</u>				-	342,535
Federal Transit Administration - Formula Grants - Direct Program					
FY15 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-2017-081	-	153,681
FY14 Urban Mass Transportation Capital, CMAQ	20.507		CA-2017-144	-	756,767
FY16 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-2018-002	-	204,848
FY16 Urban Mass Transportation Capital, CMAQ	20.507		CA-2018-004	-	301,002
FY17 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-2018-006	-	228,218
FY18 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-2019-044-01	-	324,596
FY19 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-2019-044-02	-	3,356,835
FY06 Urban Mass Transportation Capital, CMAQ	20.507		CA-90-Y726	-	6,922
FY11 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y843-00	-	35,688
FY12 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		CA-90-Y947-00	-	14,401
FY10 Urban Mass Transportation Capital, CMAQ	20.507		CA-95-X072	-	468,433
FY20 Urban Mass Transportation Capital, Planning, Operating Assistance	20.507		Temp 2019-####	-	(13,571)
<u>Total Federal Transit Administration - Formula Grants - Direct Program</u>				-	5,837,820
Federal Transit Administration - Formula Grants - Direct Program					
2013-2016 Bus and Bus Facilities Grant Program	20.526		CA-2016-106	-	45,409
2017 Bus and Bus Facilities Grant Program	20.526		CA-2010-045	-	11,904
<u>Total Federal Transit Administration - Formula Grants - Direct Program</u>				-	57,313
<i>Total Federal Transit Cluster</i>					
				-	6,237,668
<i>Transit Services Programs Cluster</i>					
Federal Transit Administration - Pass-Through Program					
2010 Job Access Reverse Commute (JARC)	20.516	Fresno Council of Governments	CA-37-X129-00	-	(21,962)
2010 New Freedom (NF)	20.521	Fresno Council of Governments	CA-57-X041 & CA-57-X054	-	232,095
2012 New Freedom (NF)	20.521	Fresno Council of Governments	CA-57-X090	-	(232,095)
<u>Total Federal Transit Administration - Pass-Through Program</u>				-	(21,962)
<i>Total Transit Services Program Cluster</i>					
				-	(21,962)
Federal Transit Administration - Direct Program					
FY10 Electric Circulator (5308 - Clean Fuels)	20.519		CA-58-0007-00	-	3,609
<u>Total Federal Transit Administration - Direct Program</u>				-	3,609
<i>Highway Safety Cluster</i>					
National Highway Traffic Safety Administration - Pass-Through Program					
State and Community Highway Safety-Selective Traffic Enforcement Program FY 2019	20.600	CA Office of Traffic Safety	PT19039	-	(1,530)
State and Community Highway Safety-Selective Traffic Enforcement Program FY 2020	20.600	CA Office of Traffic Safety	PT20049	-	229,869
State and Community Highway Safety-Selective Traffic Enforcement Program FY 2021	20.600	CA Office of Traffic Safety	PT21113	-	431,111
<u>Total National Highway Traffic Safety Administration - Pass-Through Program</u>				-	659,450
<i>Total Highway Safety Cluster</i>					
				-	659,450
TOTAL US DEPARTMENT OF TRANSPORTATION				-	47,849,594

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by the Uniform Guidance.

CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
US Department of the Treasury					
Department of Treasury - Direct Program					
COVID-19: Equitable Sharing	21.016			-	61
<u>Total Department of Treasury - Direct Program</u>				-	61
Department of Treasury - Direct Program					
COVID-19: Coronavirus Relief Fund	21.019			13,636,747	75,916,131
<u>Total Department of Treasury - Direct Program</u>				13,636,747	75,916,131
Department of Treasury - Direct Program					
COVID-19: Emergency Rental Assistance Program	21.023			5,473,106	6,990,703
<u>Total Department of Treasury - Direct Program</u>				5,473,106	6,990,703
TOTAL US DEPARTMENT OF THE TREASURY				19,109,853	82,906,895
US Environmental Protection Agency (EPA)					
<i>Drinking Water State Revolving Fund Cluster</i>					
Office of Water - Pass-Through Program					
Capitalization Grants for Drinking Water State Loan - Southeast Water Treatment Facility	66.468	CA State Water Resources Control Board	D15-02012	-	8,104,468
Capitalization Grants for Drinking Water State Loan - KRP Kings River Pipeline	66.468	CA State Water Resources Control Board	D15-02042	-	165,547
Capitalization Grants for Drinking Water State Loan - Regional Transmission Mains	66.468	CA State Water Resources Control Board	D16-02031	-	397,372
Capitalization Grants for Drinking Water State Loan - Northeast Surface Water Treatment Facility	66.468	CA State Water Resources Control Board	D18-0201401	-	13,822,713
<u>Total Office of Water - Pass-Through Program</u>				-	22,490,100
<u>Total Drinking Water State Revolving Fund Cluster</u>				-	22,490,100
Office of Solid Waste and Emergency Response - Direct Program					
Brownfields Area-Wide Planning Cooperative Agreement	66.814		99T91201	59,029	61,374
Brownfields Area-Wide Planning Cooperative Agreement	66.814		TR99T27301-1	-	-
<u>Total Office of Solid Waste and Emergency Response - Direct Program</u>				59,029	61,374
Land, Chemicals and Redevelopment Division - Direct Program					
Brownfields Revolving Loan Fund	66.818		BF98T08001	-	1,117
<u>Total Land, Chemicals and Redevelopment Division - Direct Program</u>				-	1,117
TOTAL US ENVIRONMENTAL PROTECTION AGENCY (EPA)				59,029	22,552,591
US Department of Homeland Security					
Homeland Security Grant Program - Pass-Through Program					
Homeland Security Grant Program 2017	97.004	CA Office of Emergency Services & County of Fresno	2017-0083	-	(3,232)
Homeland Security Grant Program 2018	97.004	CA Office of Emergency Services & County of Fresno	2018-0054	-	128,293
<u>Total Homeland Security Grant Program - Pass-Through Program</u>				-	125,061
Department of Homeland Security - Direct Program					
California Wildfires - Creek Fires	97.036		FEMA-4569-DRCA	-	75,313
<u>Total Department of Homeland Security - Direct Program</u>				-	75,313
Homeland Security Grant Program - Pass-Through Program					
FY 19 Homeland Security Grant Program	97.067	CA Homeland Security & County of Fresno	HSFP-2019-0035	-	50,132
FY 18 Homeland Security Grant Program	97.067	CA Homeland Security & County of Fresno	HSGP-2018-0054	-	97,672
FY 17 Homeland Security Grant Program	97.067	CA Homeland Security & County of Fresno		-	728
<u>Total Homeland Security Grant Program - Pass-Through Program</u>				-	148,532
TOTAL US DEPARTMENT OF HOMELAND SECURITY				-	348,906
TOTAL EXPENDITURES OF FEDERAL AWARDS, EXCLUDING FEDERAL LOAN BALANCES				\$ 24,267,349	\$ 165,645,715

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-Through Grantor</u>	<u>Grant Number</u>	<u>Passed-Through to Subrecipients</u>	<u>Total Expenditures</u>
<u>FEDERAL LOAN BALANCES WITH CONTINUING COMPLIANCE REQUIREMENTS</u>					
US Department of Housing and Urban Development					
Community Development Block Grants (CDBG) - Entitlement Grants Cluster					
Office of Community Planning and Development - Direct Program					
Community Development Block Grants/Entitlement Grants	14.218		N/A	\$ -	\$ 251,000
<u>TOTAL FEDERAL LOAN BALANCES WITH CONTINUING COMPLIANCE REQUIREMENTS</u>				-	251,000
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS, INCLUDING FEDERAL LOAN BALANCES</u>				\$ 24,267,349	\$ 165,896,715

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by the Uniform Guidance.

CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

CITY OF FRESNO
Schedule of Expenditures of State or Local Awards Year Ended June 30, 2020

State or Local Grantor/Program and/or Project Title	State Agency	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
Board of State and Community Corrections					
Board of State and Community Corrections - Direct Program					
Local Law Enforcement Statewide for Front Line Law Enforcement Needs Program - City of Fresno	BSCC		13-566	\$ 12,412	\$ 12,412
<u>Total Board of State and Community Corrections - Direct Program</u>				<u>12,412</u>	<u>12,412</u>
TOTAL BOARD OF STATE AND COMMUNITY CORRECTIONS				12,412	12,412
CA Governor's Office					
Office of Business and Economic Development ("GO-Biz") - Direct Program					
2021 Cannabis Equity Grants Program	GOBIZ		CEG-2021-121	-	3,650
<u>Total Office of Business and Economic Development ("GO-Biz") - Direct Program</u>				<u>-</u>	<u>3,650</u>
TOTAL CA GOVERNOR'S OFFICE				-	3,650
CA Governor's Office of Emergency Services					
Victim Services & Public Safety Branch - Direct Program					
Law Enforcement Specialized Units Program - CY3	OES		LE19-01-6675	110,207	148,320
Law Enforcement Specialized Units Program - CY4	OES		LE20-04-6675	-	47,442
<u>Total Victim Services & Public Safety Branch - Direct Program</u>				<u>110,207</u>	<u>195,762</u>
TOTAL CA GOVERNOR'S OFFICE OF EMERGENCY SERVICES				110,207	195,762
CA State Business, Consumer Services and Housing Agency					
California Homeless Coordinating and Financial Council - Direct Program					
HEAP Grant - Administration	CAHEAP		18-HEAP-00028	-	305
HEAP Grant - Employment Program	CAHEAP	Employment Program	18-HEAP-00028	-	53,460
HEAP Grant - Focus Strategies/Administration	CAHEAP	Focus Strategies	18-HEAP-00028	-	60,475
HEAP Grant - Hero Team	CAHEAP	Westcare California (Hero Team)	18-HEAP-00028	-	-5,591
HEAP Grant - Housing Authority (HMIS)	CAHEAP	Housing Authority City & County Fresno	18-HEAP-00028	-	7,706
HEAP Grant - Kingsview Corporation	CAHEAP	Kingsview Corporation	18-HEAP-00028	-	575,647
HEAP Grant - Marjaree Mason Center	CAHEAP	Marjaree Mason Center	18-HEAP-00028	-	67,396
HEAP Grant - Poverello House	CAHEAP	Poverello House	18-HEAP-00028	-	118,425
HEAP Grant - RH Community Builders	CAHEAP	RH Community Builders	18-HEAP-00028	-	314,172
HEAP Grant - Turning Point of Central California	CAHEAP	Turning Point of Central California (Golden State Triage Center)	18-HEAP-00028	-	1,340,233
HEAP Grant - Youth Set-Aside	CAHEAP	Fresno EOC	18-HEAP-00028	-	190,512
<u>Total California Homeless Coordinating and Financial Council - Direct Program</u>				<u>-</u>	<u>2,722,740</u>
Department of General Services - Direct Program					
HHAP Grant - New Navigation Centers and Emergency Shelters	CAHHAP		20-HHAP-00069	-	201,080
<u>Total Department of General Services - Direct Program</u>				<u>-</u>	<u>201,080</u>
TOTAL CA STATE BUSINESS, CONSUMER SERVICES AND HOUSING AGENCY				-	2,923,820
CA State Department of Conservation Division of Recycling - Direct Program					
2020/2021(FY21) - Recycling Program	CIWMB		2018/2019	-	126,700
<u>Total Division of Recycling - Direct Program</u>				<u>-</u>	<u>126,700</u>
TOTAL CA STATE DEPARTMENT OF CONSERVATION				-	126,700

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by the Uniform Guidance.

CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

State or Local Grantor/Program and/or Project Title	State Agency	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
CA State Department of Finance					
CA Division of Mass Transportation - Direct Program					
PROP 1B-FAX	DOF		Prop 1B	-	2,591,076
<u>Total CA Division of Mass Transportation - Direct Program</u>				-	2,591,076
CA Office of Emergency Services - Direct Program					
PROP 1B-FAX	DOF		Prop 1B	-	33,682
<u>Total CA Office of Emergency Services - Direct Program</u>				-	33,682
Caltrans Division of Rail and Mass Transportation - Direct Program					
Transit Intercity Rail Capital Program	DOF		6FRESNOPS-01	-	881,590
<u>Total Caltrans Division of Rail and Mass Transportation - Direct Program</u>				-	881,590
Citizens Option for Public Safety - Direct Program					
Supplemental Law Enforcement Services Fund (SLESF) State Program COPS FY18	DOF		FY18	-	81,558
Supplemental Law Enforcement Services Fund (SLESF) State Program COPS FY19	DOF		FY19	-	245,441
Supplemental Law Enforcement Services Fund (SLESF) State Program COPS FY20	DOF		FY20	-	840,971
Supplemental Law Enforcement Services Fund (SLESF) State Program COPS FY21	DOF		FY21	-	130,000
<u>Total Citizens Option for Public Safety - Direct Program</u>				-	1,297,970
TOTAL CA STATE DEPARTMENT OF FINANCE				-	4,804,318
CA State Department of Forestry and Fire Protection CalFire - Direct Program					
Maxie Parks Center Urban Greening Improvements	CALFIRE		8GG16427	-	6,819
<u>Total Wildlife Conservation Board - Direct Program</u>				-	6,819
TOTAL CA STATE DEPARTMENT OF FORESTRY AND FIRE PROTECTION				-	6,819
CA State Department of Justice					
CA State Equitable Sharing Program - Pass-Through Program					
Equitable Sharing Agreement Seized Assets	CASESP	County of Fresno		-	102,844
<u>Total CA State Equitable Sharing Program - Pass-Through Program</u>				-	102,844
TOTAL CA STATE DEPARTMENT OF JUSTICE				-	102,844
CA State Department of Parks and Recreation					
Off-Highway Motor Vehicle Recreation Division - Direct Program					
OHV-Related Law Enforcement Grant F2020	MVRD		G18-03-94-L01	-	40,753
OHV-Related Law Enforcement Grant F2021	MVRD		G19-03-94-L01	-	8,894
<u>Total Off-Highway Motor Vehicle Recreation Division - Direct Program</u>				-	49,647
Office of Grants and Local Services - Direct Program					
Romain Park Futsal Court	OGALS		YR-10-001	-	5,012
<u>Total Office of Grants and Local Services - Direct Program</u>				-	5,012
TOTAL CA STATE DEPARTMENT OF PARKS AND RECREATION				-	54,659

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by the Uniform Guidance.

CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

State or Local Grantor/Program and/or Project Title	State Agency	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
CA State Department of Transportation					
CA Transportation Commission - Direct Program Aeronautics Division					
State Match to AIP 24 FF17	CTC		Fre-2-18-1-Mat granted on 2/7/18	-	4,581
<u>Total CA Transportation Commission - Direct Program Aeronautics Division</u>				-	4,581
Division of Local Transportation Assistance - Direct Program					
Highway Research, Planning, and Construction Program	DOT		Master Agreement 06-5060	-	10,718
<u>Total Division of Local Transportation Assistance - Direct Program</u>				-	10,718
CalTrans - Pass-Through Program					
2019 SB1 - State of Good Repair Program	DOT	Fresno Council of Governments	SB1_FAX	-	900,080
2020 SB1 - State of Good Repair Program	DOT	Fresno Council of Governments	SB1_FAX	-	1,127,918
2021 SB1 - State of Good Repair Program	DOT	Fresno Council of Governments	SB1_FAX	-	71
Trail Network Expansion Feasibility Plan	DOT	City of Fresno	SC-74A0952	-	(2,013)
Trail Network Wayfinding Plan	DOT	City of Fresno	SC-74A1136	-	26,189
Fancher Creek Parkway Plan	DOT	City of Fresno	SC-74A1222	-	2,855
<u>Total CalTrans - Pass-Through Program</u>				-	2,055,100
CalTrans - Direct Program					
2016 Low Carbon Transit Operations Program (LCTOP) - CA Cap & Trade Funding	DOT		LCTOP Allocs	-	249,311
2017 Low Carbon Transit Operations Program (LCTOP) - CA Cap & Trade Funding	DOT		LCTOP Allocs	-	734,563
2018 Low Carbon Transit Operations Program (LCTOP) - CA Cap & Trade Funding	DOT		LCTOP Allocs	-	334,488
2019 Low Carbon Transit Operations Program (LCTOP) - CA Cap & Trade Funding	DOT		LCTOP Allocs	-	979,786
2020 Low Carbon Transit Operations Program (LCTOP) - CA Cap & Trade Funding	DOT		LCTOP Allocs	-	1,562,163
2021 Low Carbon Transit Operations Program (LCTOP) - CA Cap & Trade Funding	DOT		LCTOP Allocs	-	400,908
Low Carbon Transit Operations Program (LCTOP) - CA Cap & Trade Funding	DOT		LCTOP Allocs	-	-3,163,943
<u>Total CalTrans - Direct Program</u>				-	1,097,276
TOTAL CA STATE DEPARTMENT OF TRANSPORTATION				-	3,167,675
CA State Environmental Protection Agency					
Integrated Waste Management Board - Direct Program					
2019/2020 Waste Tire Amnesty Grant	CIWMB		TA5-19-0045	-	13,556
2020/2021 Waste Tire Amnesty Grant	CIWMB		TCU18-20-0008	-	16,787
2019/2020 Waste Tire Enforcement Grants	CIWMB		TEA26-18-0010	-	909
2020/2021 Waste Tire Enforcement Grants	CIWMB		TEA27-19-0011	-	128,767
<u>Total Integrated Waste Management Board - Direct Program</u>				-	160,019
TOTAL CA STATE ENVIRONMENTAL PROTECTION AGENCY				-	160,019
CA State Office of Traffic Safety					
CA State Office of Traffic Safety - Direct Program					
Pedestrian & Bicycle Safety Program 2021	COTS		PS21038	-	12,725
<u>Total CA State Office of Traffic Safety - Direct Program</u>				-	12,725
TOTAL CA STATE OFFICE OF TRAFFIC SAFETY				-	12,725

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by the Uniform Guidance.

CITY OF FRESNO
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS (Continued)
FOR THE YEAR ENDED JUNE 30, 2021

State or Local Grantor/Program and/or Project Title	State Agency	Pass-Through Grantor	Grant Number	Passed-Through to Subrecipients	Total Expenditures
CA State Water Resources Control Board					
Division of Financial Assistance - Direct Program					
Clean Water State Revolving Fund - Southwest Recycled Water Distribution System	CSWRCB		C-06-8061-110	-	8,152,052
Capitalization Grants for Drinking Water State Loan - FKCP Friant Kern Canal Pipeline	CSWRCB		D15-02040	-	299,115
<u>Total Division of Financial Assistance - Direct Program</u>				-	8,451,167
TOTAL CA STATE WATER RESOURCES CONTROL BOARD				-	8,451,167
California Governor's Office					
Office of Emergency Services - Direct Program					
California Wildfires - Creek Fires	CALOES		Cal OES ID: 019- 27000	-	18,828
<u>Total Office of Emergency Services - Direct Program</u>				-	18,828
TOTAL CALIFORNIA GOVERNOR'S OFFICE				-	18,828
California High-Speed Rail Authority					
California High-Speed Rail Authority - Direct Program					
California High-Speed Rail Project	CAHSR		HSR17-14	93,710	103,636
<u>Total California High-Speed Rail Authority - Direct Program</u>				93,710	103,636
TOTAL CALIFORNIA HIGH-SPEED RAIL AUTHORITY				93,710	103,636
Dan Sudran with the Founder's Fund (DSFF)					
Dan Sudran with the Founder's Fund (DSFF) - Direct Program					
Dan Sudran with the Founder's Fund (DSFF) / Science Program	DSFF		3/1/2019	-	189
<u>Total Dan Sudran with the Founder's Fund (DSFF) - Direct Program</u>				-	189
TOTAL DAN SUDRAN WITH THE FOUNDER'S FUND (DSFF)				-	189
Fresno County Transportation Authority					
Measure C - Direct Program					
Measure C New Tech Reserve Fund	FC			-	358,985
<u>Total Measure C - Direct Program</u>				-	358,985
TOTAL FRESNO COUNTY TRANSPORTATION AUTHORITY				-	358,985
Resources, Recycling and Recovery (CalRecycle)					
Division of Recycling - Direct Program					
FY2020 CalRecycle - Oil Payment Program	CIWMB		OPP10	-	135,224
FY2020 CalRecycle - Oil Payment Program	CIWMB		OPP11	-	1,552
<u>Total Wildlife Conservation Board - Direct Program</u>				-	136,776
TOTAL CA STATE DEPARTMENT OF FISH AND GAME				-	136,776
San Joaquin Valley Air Pollution Control District					
San Joaquin Valley Air Pollution Control District - Direct Program					
CHARGE UP! Voucher program	SJVAPCD		SJVAPCD	-	322,549
<u>Total San Joaquin Valley Air Pollution Control District - Direct Program</u>				-	322,549
TOTAL SAN JOAQUIN VALLEY AIR POLLUTION CONTROL DISTRICT				-	322,549
Save the Redwoods League					
Save the Redwoods League - Direct Program					
Rockin through the Redwoods 2021	SRL		CONT-2020-3	-	320
<u>Total Save the Redwoods League - Direct Program</u>				-	320
TOTAL SAVE THE REDWOODS LEAGUE				-	320
State of California					
California Energy Commission - Direct Program					
CHARGE UP! Voucher program	FCIP		FCIP	-	340,000
<u>Total California Energy Commission - Direct Program</u>				-	340,000
TOTAL STATE OF CALIFORNIA				-	340,000
TOTAL EXPENDITURES OF STATE AWARDS				\$ 216,329	\$ 21,303,853

See accompanying notes to schedule of expenditures of federal awards and schedule of expenditures of state or local awards and independent auditor's report on compliance for each major federal program; report on internal control over compliance; and report on the schedule of expenditures of federal awards and the schedule of expenditures of state or local awards required by the Uniform Guidance.

**CITY OF FRESNO
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND
SCHEDULE OF EXPENDITURES OF STATE OR LOCAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021**

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards and State or Local Awards (SEFA) present the activity of all federal and nonfederal award programs of the City of Fresno, California (the City). The SEFA includes federal awards received directly from federal agencies, federal awards passed through other agencies, and nonfederal awards. The City’s reporting entity is defined in Note 1 to the City’s basic financial statements. The basic financial statements include the operations of the Successor Agency to the Redevelopment Agency of the City which had federal award expenditures for the year ended June 30, 2021, of \$0. Because the SEFA presents only a selected portion of the operations of the City, it is not intended to, and does not, present the operations of the City as a whole.

The accompanying SEFA is presented on the cash basis of accounting. The information in the SEFA is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in, or used in the preparation of, the SEFA may differ from amounts presented in the basic financial statements. Expenditures of federal and nonfederal awards are primarily reported in the City’s basic financial statements in the general fund, grants special revenue funds, transit enterprise funds, and airport enterprise funds.

NOTE 2 – SUBRECIPIENTS

Of the federal expenditures presented in the SEFA, the City provided federal awards to its subrecipients as follows:

Program Title	Assistance Listing Number	Amount Provided to Subrecipients
Economic Adjustment Assistance Program Revolving Loan Fund	11.307	\$ 874,651
Economic Development CARES Program Revolving Loan Fund	11.307	810,188
Community Development Block Grants/Entitlement Grants Program	14.218	751,119
Emergency Solutions Grant Program	14.231	512,594
Home Investment Partnership Program	14.239	1,282,675
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	607,445
FY19 Supporting Victims of Gang Violence Grant	16.123	25,166
Sexual Assault Kit Initiative Grant	16.833	234,629
COVID-19 Coronavirus Relief Fund	21.019	13,636,747
COVID-19 Emergency Rental Assistance	21.023	5,473,106
Brownfields Area-Wide Planning Cooperative Agreement	66.814	59,029
Total		<u>\$ 24,267,349</u>

NOTE 3 – SECTION 108 LOANS

The City has one (1) Section 108 loan outstanding at June 30, 2021. Semi-annual payments on this Section 108 loan are made from interest earned on the restricted loan investments and from Community Development Block Grants/Entitlement Grants Program and are included in the federal expenditures for the Community Development Block Grants on the SEFA. Total principal and interest payments totaled \$132,721 for the year ending June 30, 2021, of which \$132,721 was paid from Community Development Block Grant funds.

NOTE 3 – SECTION 108 LOANS (Continued)

A summary of the Section 108 loan outstanding as of June 30, 2021, is as follows:

Assistance Listing Number	Grant Loan Program	Unspent Loan Proceeds as of June 30, 2021	Outstanding Loan Balances as of June 30, 2021
14.218	Section 108 Note - Neighborhood Streets/Parks	\$ -	\$ 251,000
		<u>\$ -</u>	<u>\$ 251,000</u>

NOTE 4 – STATE REVOLVING LOAN FUNDS

Beginning in fiscal year 2007, the City received Federal cross-cut revolving grant funds from the State in the form of loans from the U.S. Environmental Protection Agency, Office of Water, passed through the California State Water Resources Control Board and the California Department of Public Health, under Capitalization Grants for Clean Water State Revolving Funds (Assistance Listing Number 66.458) and Capitalization Grants for Safe Drinking Water State Revolving Funds (Assistance Listing Number 66.468). The purpose of the grants/loans is to assist in financing the construction of projects that will enable the City to comply with statutory clean and safe drinking standards. The City received funds under seven grants/loans. The terms of the grants/loans and the outstanding balances as of June 30, 2021, are as follows:

Grant Fiscal Year	Agreement Number	Description	Project Number	Not to Exceed	Interest Rate and Term	Outstanding Loan Balances as of June 30, 2021
2007	SRF06CX150	Wellsite Chlorination Project	10100007-004	\$ 2,210,000	2.2923% / 20 yrs*	\$ 1,133,223
2009	SRF08SWX101	Enterprise/Jefferson Canal Project	10100007-011	1,968,136	2.2923% / 20 yrs*	724,101
2011	SFR11CX104	Residential Water Meter Project	10100007-026C	51,405,432	0.0000% / 20 yrs*	33,413,531
2015	14-817-550	Wastewater Tertiary Plant	C-067893-110	33,138,638	1.00 - 1.70% / 30 yrs*	28,336,290
2016	D15-01011	Recycled Water Distribution Southwest	C-068061-110	52,475,049	1.00% / 30 yrs*	59,525,038
2016	D15-02012	Southeast Surface Water Treatment Facility	1010007-028C	195,489,000	1.66300% / 30 yrs*	163,753,447
2016	D15-02040	Friant-Kern Canal Raw Water Pipeline	1010007-029C	26,520,000	1.6% / 30 yrs*	19,693,403
2016	D15-02042	Kings River Pipeline	1010007-031C	75,165,000	1.6% / 30 yrs*	54,579,122
2017	D16-02031	Regional Transmission Mains	1010007-030C	75,900,000	1.6% / 30 yrs*	64,787,188
						<u>\$ 425,945,343</u>

* Term begins at completion of project.

These loans are not considered to have continuing compliance requirements under Title 2 CFR Part 200, and, therefore, are only reported on the SEFA in the year in which funds are expended and drawn. The City expended \$22,490,100 under the loans during fiscal year ended June 30, 2021 and has reported these amounts on the SEFA as follows:

Assistance Listing Number	Project Name	Loan #	Total Expenditures
66.468	Southeast Water Treatment Facility	D15-02012	\$ 8,104,468
66.468	KRP Kings River Pipeline	D15-02042	165,547
66.468	Regional Transmission Mains	D16-02031	397,372
66.468	Northeast Surface Water Treatment Facility	D18-02014	13,822,713
			<u>\$ 22,490,100</u>

NOTE 5 – ECONOMIC DEVELOPMENT ASSISTANCE RFL GRANT CALCULATION

The amount reported on the SEFA for expenditures related to the Economic Adjustment Assistance Revolving Loan Fund (RLF) Grant (Assistance Listing #11.307) is calculated using various criteria as defined by Title 2 CFR Part 200. The calculation for the year ended June 30, 2021, is as follows:

Balance of RLF loans outstanding at June 30, 2021	\$ 1,290,275
Cash and investment balance at June 30, 2021	349,398
Administrative expenses paid out	<u>45,166</u>
Subtotal	<u>1,684,839</u>
Federal share	<u>100%</u>
Total expenditures reported at June 30, 2021	<u>\$ 1,684,839</u>

NOTE 6 – PRIOR YEAR EXPENDITURES INCLUDED IN SEFA

The SEFA includes the following expenditures that were incurred in the prior year:

The City incurred costs totaling \$584,607 under the Airport Improvement Program (AIP) during the year ended June 30, 2020, for which funding in the amount of \$53,471 was approved in fiscal year 2021. These expenditures are included on the SEFA as part of the AIP (Assistance Listing #20.106) expenditures for year ended June 30, 2021.

The City incurred pre-award costs as follows: \$313,452 under the FY18 Urban Mass Transportation Capital, Planning, Operating Assistance Grant, \$1,522,089 under the FY19 Urban Mass Transportation Capital, Planning, Operating Assistance Grant, and \$283,426 under the FY20 Urban Mass Transportation Capital, Planning, Operating Assistance Grant under the CFDA #20.507 during the year ended June 30, 2020, prior to receiving the official grant awards. Expenditures were included on the SEFA as part of CFDA #20.507 in fiscal year 2021 as follows: \$ 313,452 for the FY18 Urban Mass Transportation Capital, Planning, Operating Assistance Grant; \$1,522,089 under the FY19 Urban Mass Transportation Capital, Planning, Operating Assistance Grant; and \$283,426 under the FY20 Urban Mass Transportation Capital, Planning, Operating Assistance Grant.

NOTE 7 – INDIRECT COST RATE

The City elected not to use the 10 percent de minimis indirect cost rate as covered in Title 2 CFR §200.414.

NOTE 8 – ASSISTANCE LISTING NUMBERS

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or the 2021 Catalog of Federal Domestic Assistance. When no Assistance Listing number had been assigned to a program, the two-digit federal agency identifier and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier and the word “unknown” were used.

**CITY OF FRESNO
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? X Yes No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes None Reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Type of auditor’s report issued on compliance for major programs: Unmodified

Internal control over major federal programs:

Material weakness identified? Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? X Yes None reported

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? X Yes No

Identification of major programs:

<u>Assistance Listing #</u>	<u>Name of Federal Program or Cluster</u>
	Economic Development Cluster:
11.300	Investments for Public Works and Economic Development Facilities
11.307	Economic Adjustment Assistance
20.205	Highway Planning and Construction Program Cluster
20.319	High-Speed Rail Corridors and Intercity Passenger Rail Service
21.019	COVID-19 Coronavirus Relief Fund
21.023	COVID-19 Emergency Rental Assistance

The threshold for distinguishing type A and B programs was \$3,000,000.

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2021-001 – Internal Audits, Staffing, and Risk Assessment

Condition:

The City's current Internal Audit Department consists of two individuals. Due to continued budget cuts, the department has not grown to allow for the hiring of additional staff to meet the demands of the City. While internal audit developed a work plan during the year based on a risk assessment plan, several audits that were scheduled to occur in fiscal year 2020 were delayed. Additionally, due to receiving significant funding under the CARES Act, and the need for additional staff to assist with ensuring compliance with the grant requirements, the internal audit team shifted focus to assist with compliance with the CARES Act, which contributed to additional delays in conducting follow-up audits during the year and audits that were scheduled to commence as part of the audit work plan.

Furthermore, the City's Audit Committee continues to be dormant as there have not been any meetings held on a regular basis. As such, the work plan developed during the year was not approved by the Audit Committee and audit reports issued recently were also not presented to the Audit Committee.

Criteria:

Management is responsible for implementing a system of internal control. Internal audits and a City-wide risk assessment enhance controls and mitigate the risk over high risk areas that might hinder the achievements and goals of the City.

Cause of Condition:

This situation was due to continued budget cuts.

Repeat Finding:

Yes.

Effect or Potential Effect of the Condition:

Absent adequate staffing, the Internal Audit Department cannot achieve its objective of performing timely internal audits and follow-ups based on a risk assessment work plan to identify any internal control deficiencies or material weaknesses in a timely manner that may go unnoticed, thereby leading to error, material misstatements, or potential fraud, which may result in exponential losses considering the size of the City.

Recommendation:

The internal audit function provides an independent and objective assurance that internal controls are functioning adequately to enable the City to achieve its goals and objectives. To mitigate the possibility of significant internal control deficiencies not being identified in a timely manner that might lead to material misstatements or potential fraud, we recommend the City consider the following:

- The Internal Audit Department current staffing is not sufficient for a City of its size and complexity. It is recommended that the department be grown to become 8-10 individuals, as other cities of similar size and complexity, which would allow for refocusing on the higher risk areas identified in the audit work plan, performing more timely audit follow ups, and in essence "catch up" on audits that have been delayed.
- Activate the City's Audit Committee and schedule a minimum of two meetings per year to: 1) present the risk assessment annual work plan for review and approval; and 2) to review and approve internal audit draft reports and review status of prior findings and follow-up audits to ensure corrective action plans have been put in place to correct deficiencies in a timely manner.

Management Response:

Management agrees with these recommendations, and has taken steps to address them. An Internal Auditor position was added to the Unit in November 2020 and was filled in January 2021. Additionally, the Council Finance and Audit Subcommittee met on February 23, 2020, to discuss the Fiscal Year (FY) 2020 Comprehensive Annual Financial Report and a recently completed Fire Overtime audit. The Finance and Audit Subcommittee expressed an intent to meet again once the follow-up audits on Parking and Police are complete.

Unfortunately, the progress the City initially made on addressing this recommendation has stalled. The Audit Committee has not met since February 2021. Additionally, while an additional staff member was added in January 2021, Internal Audit has experienced some long-term absences which had the practical effect of keeping staffing at levels identified in the condition.

Even with those challenges, the Internal Audit Unit made significant progress over the past year. The follow-up Parking audit was finalized and issued. The follow-up Police audit was also finalized and issued. However, Internal Audit received a request from the City Manager's Office to conduct an additional review to the follow-up Police audit. It, too, was finalized. The FY 2022 Risk Assessment is complete. The Unit is currently in the process of finalizing a grants audit of the Transportation Department. Lastly, we recently began an audit of the procurement process for the Airports Department and wireless services charges administered by the Information Services Department

Finding 2021-002 – Receivables Reporting and Related Closing Process

Condition:

During our review of documentation provided and inquiries made over various accounts receivable, we noted certain accruals in the General Fund were overlooked during the year end closing. This resulted in a material adjustments that were made after the trial balance was provided.

Criteria:

Adequate review procedures are critical during the year-end close to ensure accruals are made and recorded in the proper period and that deposits held for others are analyzed and adjusted as needed to present financial statements in accordance with the Governmental Accounting Standards Board (GASB) and accounting principles generally accepted in the United States of America.

Cause of the Condition:

This is due to lack of review during the year-end closing procedures to ensure amounts are not omitted and are properly accrued for intergovernmental receivables.

Repeat Finding:

Yes.

Effect or Potential Effect of the Condition:

This resulted in a \$2.1 million understatement of property tax receivable in the General Fund.

Recommendation:

We recommend the City improve procedures over the closing process and incorporate an additional layer of review over accruals to ensure all accruals are captured and recorded in the correct period and ensure customer deposits payable are analyzed during the year-end close and adjusted as needed.

Management Response:

The City will implement a procedure to verify each of the entries that affect intergovernmental receivables is addressed. We will confirm that the reported ending balance matches to supporting documentation received from third party sources. Peer review will verify the reconciliation between the two sources.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-003 – Coronavirus Relief Fund Subrecipient Monitoring (Significant Deficiency)

Program: Coronavirus Relief Fund (CRF)

Assistance Listing No.: 21.019

Federal Agency: U.S. Department of the Treasury (Treasury)

Passed Through: N/A – Direct Program

Award Year: Fiscal Year 2020-2021

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: \$5,048,975

Criteria

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) §200.303 states that the non-Federal entity (City) must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). establish and maintain effective internal control over the Federal awards.

Per §200.331, a pass-through entity (the City) must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. A pass-through entity (the City) with subrecipients is required to evaluate each subrecipient’s risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Depending upon the pass-through entity’s assessment of risk posed by the subrecipient, the entity must develop techniques/tools to ensure proper accountability and compliance with program requirements and achievement of performance goals by the subrecipient.

Furthermore, §200.332(a) states that a pass-through entity (the City) must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the required award information so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition

During our testing of compliance with the subrecipient monitoring requirement, we noted the City did not have formal, written subrecipient monitoring policies or procedures in place during FY 2021. In addition, the preliminary SEFA provided by the City overstated the amounts passed through to subrecipients by \$5,048,975. Furthermore, the City did not clearly identify to the subrecipients the Federal award information required under §200.332(a).

Cause of Condition

The City’s existing internal control system is not properly designed to meet the control objectives under subrecipient monitoring.

Repeat Finding

Yes.

Effect of Condition

There is increased risk of noncompliance with the subrecipient monitoring requirement as set forth in the U.S. Office of Management and Budget (OMB) *Compliance Supplement*, which can jeopardize future federal funding as well as result in the payback of federal awards.

Recommendation

We recommend the City design and implement internal control activities over the subrecipient monitoring compliance requirement under the Uniform Guidance. We also recommend the City reevaluate policies and procedures in its determinations whether each agreement it makes for the disbursement of CARES Act funds casts the party receiving the funds in the role of a subrecipient or a contractor.

Management Response and Corrective Action Plan

As of July 1, 2022, the City has in place a formal Subrecipient Monitoring policy. The City created this policy to identify and administer subawards consistent with the requirements established by Office of Management and Budget (OMB) in the section federal regulation 2 CFR part 200 “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.”

The City has also created a Grants Management Unit in the Finance Department. This Unit is charged with implementing and enforcing the Subrecipient Monitoring policy, including conducting risk assessments with the subrecipients, working with them to address any internal control deficiencies, and monitoring subrecipient activity to insure compliance with the Uniform Guidance. The City has not had a dedicated Grants Management Unit for many years. The creation of such a unit is tangible proof of the commitment the City has toward managing its grants in compliance with the Uniform Guidance.

The implementation of this policy will facilitate adequate monitoring of the accountability and adherence to the program requirements for subrecipients.

Finding 2021-004 – Economic Adjustment Assistance Subrecipient Monitoring (Significant Deficiency)

Program: Economic Adjustment Assistance

Assistance Listing No.: 11.307

Federal Agency: U.S. Department of Commerce

Passed Through: N/A – Direct Program

Award Year: Fiscal Year 2020-2021

Compliance Requirement: Subrecipient Monitoring

Questioned Costs: None

Criteria

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) §200.303 states that the non-Federal entity (City) must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) establish and maintain effective internal control over the Federal awards.

Per §200.331, a pass-through entity (the City) must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. A pass-through entity (the City) with subrecipients is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Depending upon the pass-through entity's assessment of risk posed by the subrecipient, the entity must develop techniques/tools to ensure proper accountability and compliance with program requirements and achievement of performance goals by the subrecipient.

Per §200.502, the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs; for amounts passed through to subrecipients, the basis is when the disbursement is made.

Condition

During our testing of compliance with the subrecipient monitoring requirement, the City noted that this requirement was not applicable during FY 2021.

Cause of Condition

The City's existing internal control system is not properly designed to meet the control objectives under subrecipient monitoring.

Per review of the SEFA as of June 30, 2021, the City reported \$1,684,839 passed through to subrecipients under assistance listing 11.307. Per inquiry of City personnel, these amounts were provided to Cen-Cal Business Finance Group (Cen-Cal), but the City determined that Cen-Cal's status was that of an independent contractor and therefore did not have the required subrecipient monitoring procedures in place. Per review of Cen-Cal's audit report as of September 30, 2021, Cen-Cal identified \$1,557,363 in Federal expenditures, passed through the City of Fresno under assistance listing 11.307. Upon review of the Agreement for Administration of City of Fresno Revolving Loan Fund made and entered into effective November 22, 2019, and review of the amendment made and entered into as of September 24, 2020, we noted characteristics that support the classification of Cen-Cal as a subrecipient of the City's 11.307 funds. Per auditor judgment, Cen-Cal is a subrecipient of the City's 11.307 funds and the subrecipient monitoring compliance requirements under the Economic Adjustment Assistance program were applicable to the City during the fiscal year ended June 30, 2021.

Effect of Condition

There is increased risk of noncompliance with the subrecipient monitoring requirement as set forth in the U.S. Office of Management and Budget (OMB) *Compliance Supplement*, which can jeopardize future federal funding as well as result in the payback of federal awards.

Repeat Finding

No.

Recommendation

We recommend the City design and implement internal control activities over the subrecipient monitoring compliance requirement under the Uniform Guidance. Although Cen-Cal had a Single Audit performed as of their fiscal year ended September 30, 2021, the City should develop techniques/tools to ensure proper accountability and compliance with program requirements by the subrecipient. We also recommend the City reevaluate policies and procedures in its determinations whether each agreement it makes for the disbursement of federal funds casts the party receiving the funds in the role of a subrecipient or a contractor.

Management Response and Corrective Action Plan

After reviewing the auditors' rationale and conclusions, the City agrees that Cen-Cal is a subrecipient as defined by the Uniform Guidance. As such, the City will use its Subrecipient Monitoring policy (implemented as of July 1, 2022) to govern the interactions between Cen-Cal and the City in the use of monies in the Fresno Revolving Loan Fund.

**CITY OF FRESNO
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020**

Finding 2020-001 – Physical Inventory of Capital Assets (Significant Deficiency)

Condition:

While performing our walkthrough and controls understanding over capital assets, we noted that the City of Fresno (the City) has not performed a complete City-wide physical inventory of capital assets since 2011.

Criteria:

Internal controls should be designed to provide reasonable assurance of achieving effective and efficient operations, and reliable financial reporting in accordance with *Government Accounting Standards* and accounting principles generally accepted in the United States of America.

Cause of the Condition:

The City's practice has been to provide the departments with a listing of fully-depreciated assets and request confirmation that these are still in use. Any assets no longer in use are identified by the departments and Finance subsequently removes those assets from PeopleSoft (the City's General Ledger). Finance also requests the departments to verify the existence of a handful of capital assets still in service that are fully depreciated. However, this is not a comprehensive physical inventory that would identify missing assets or other potential problems.

Repeat Finding:

No.

Effect or Potential Effect of the Condition:

Absent a City-wide physical inventory of capital assets, there could be missing assets that would cause capital assets to be overstated. There could also exist other discrepancies in capital assets that would not be identified absent a comprehensive physical inventory.

Recommendation:

Performing a complete physical inventory of all departments is a significant endeavor that requires adequate staffing and the City might not have sufficient manpower to perform a physical inventory of all departments. However, the City should develop a policy to perform a full and complete physical inventory of departments using a rotational approach.

Management Response:

Given limited staffing resources and other priorities for those resources, a complete inventory of the City's capital assets is simply not feasible at this time. That being said, the upcoming conversion from the PeopleSoft accounting system to the Tyler accounting system gives the City the opportunity to review the capital assets that are on the City's financial records before they are transferred to the new financial system. Finance staff will incorporate a review of its capital assets as part of the Tyler implementation and only transfer into the new financial system those assets whose existence has been verified. Also, staff will begin developing a methodology for a more robust periodic review of capital assets.

Current Year Status:

Implemented.

Finding 2020-002 – Closing Process (Significant Deficiency)

Condition:

During our review of documentation provided and inquires made over deposits held for others and various accounts receivable, we noted various adjustments needed that were overlooked during the year-end closing to: 1) accrue intergovernmental receivables in the Transit Fund; 2) accrue receivables in the Billing and Collections Fund; and 3) adjust deposits held for others in the Billing and Collections Fund. These resulted in material adjustments that were made after the trial balance and fund statements were provided.

Criteria:

Adequate review procedures are critical during the year-end close to ensure accruals are made and recorded in the proper period and that deposits held for others are analyzed and adjusted as needed to present financial statements in accordance with the Governmental Accounting Standards Board (GASB) and accounting principles generally accepted in the United States of America.

Cause of the Condition:

The City had not properly analyzed deposits held for others during the year-end close to determine adjustments needed and fourth quarter accruals for intergovernmental receivables were overlooked during the year-end close as well as other receivable accruals.

Repeat Finding:

No.

Effect or Potential Effect of the Condition:

This resulted in an \$8.8 million understatement of grants receivable in the Transit Fund; \$846 thousand understatement of accounts receivable in the Billing and Collections Fund; and \$2.7 million overstatement of deposits held for others in the Billing and Collections Fund.

Recommendation:

We recommend the City improve procedures over the closing process and incorporate an additional layer of review over accruals to ensure all accruals are captured and recorded in the correct period and ensure customer deposits payable are analyzed during the year-end close and adjusted as needed.

Management Response:

Management agrees with this recommendation. Finance Department management has already met with staff and discussed ways to make the end of year review process more robust. One of the changes that will be implemented is having a peer review process, where front line staff performs the initial review of the work of other front line staff. Another change will involve dedicated time for senior staff to do a second review of the work. These changes, and others, will be developed and implemented in time for the upcoming Comprehensive Annual Financial Report cycle.

Current Year Status:

Partially implemented. See current year finding 2021-002.

Finding 2020-003 – Internal Audits, Staffing, and Risk Assessment (Significant Deficiency)

Condition:

The City's current Internal Audit Department consists of two individuals. Due to continued budget cuts, the department has not grown to allow for the hiring of additional staff to meet the demands of the City. While internal audit developed a work plan during the year based on a risk assessment plan, several audits that were scheduled to occur in fiscal year 2020 were delayed. Additionally, due to receiving significant funding under the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the need for additional staff to assist with ensuring compliance with the grant requirements, the internal audit team shifted focus to assist with compliance with the CARES Act, which contributed to additional delays in conducting follow-up audits during the year and audits that were scheduled to commence as part of the audit work plan.

Furthermore, the City's Audit Committee continues to be dormant as there have not been any meetings held since March 2019. As such, the work plan developed during the year was not approved by the Audit Committee and audit reports issued recently were also not presented to the Audit Committee.

Criteria:

Management is responsible for implementing a system of internal control. Internal audits and a City-wide risk assessment enhance controls and mitigate the risk over high risk areas that might hinder the achievements and goals of the City.

Cause of the Condition:

This situation was due to continued budget cuts.

Repeat Finding:

No.

Effect or Potential Effect of the Condition:

Absent adequate staffing, the Internal Audit Department cannot achieve its objective of performing timely internal audits and follow-ups based on a risk assessment work plan to identify any internal control deficiencies or material weaknesses in a timely manner that may go unnoticed, thereby leading to error, material misstatements, or potential fraud, which may result in exponential losses considering the size of the City.

Recommendation:

The internal audit function provides an independent and objective assurance that internal controls are functioning adequately to enable the City to achieve its goals and objectives. To mitigate the possibility of significant internal control deficiencies not being identified in a timely manner that might lead to material misstatements or potential fraud, we recommend the City consider the following:

- The Internal Audit Department current staffing is not sufficient for a City of its size and complexity. It is recommended that the department be grown to become 8-10 individuals, as other cities of similar size and complexity, which would allow for refocusing on the higher risk areas identified in the audit work plan, performing more timely audit follow ups, and in essence "catch up" on audits that have been delayed.
- Activate the City's Audit Committee and schedule a minimum of two meetings per year to: 1) present the risk assessment annual work plan for review and approval; and 2) to review and approve internal audit draft reports and review status of prior findings and follow-up audits to ensure corrective action plans have been put in place to correct deficiencies in a timely manner.

Management Response:

Management agrees with these recommendations, and has taken steps to address them. An Internal Auditor position was added to the Unit in November 2020 and was filled in January 2021. Additionally, the Council Finance and Audit Subcommittee met on February 23, 2020, to discuss the Fiscal Year 2020 Comprehensive Annual Financial Report and a recently completed Fire Overtime audit. The Finance and Audit Subcommittee expressed an intent to meet again once the follow-up audits on Parking and Police are complete, which is likely to be in late Summer 2020.

Current Year Status:

Partially implemented. See current year finding 2021-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2020-004 – Coronavirus Relief Fund Expenditures (Significant Deficiency)

Program: Coronavirus Relief Fund (CRF)

CFDA No.: 21.019

Federal Agency: U.S. Department of the Treasury (Treasury)

Passed Through: N/A – Direct Program

Award Year: Fiscal Year 2019-2020

Compliance Requirement: Activities Allowed or Unallowed and Allowable Cost/Cost Principles

Questioned Costs: \$188 to \$446,875

Criteria

Activities Allowed or Unallowed:

The CARES Act provides that payments from the CRF may only be used to cover costs that:

1. Are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. Were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. Were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

Allowable Cost/Cost Principles:

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

- §200.303 states that the non-Federal entity (City) must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States, or the “Internal Control Integrated Framework,” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and establish and maintain effective internal control over the Federal awards.

Allowable Cost/Cost Principles and Subrecipient Monitoring:

- §200.510(b) states that the auditee (the City) must prepare a Schedule of Expenditures of Federal Awards (SEFA) for the period covered by the auditee’s financial statements, which must include the total federal awards expended as determined in accordance with §200.502. At a minimum, the schedule must include the total amount provided to subrecipients from each Federal program under §200.510(b)(4).

- Per §200.502, the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs; for amounts passed through to subrecipients, the basis is when the disbursement is made.

The control objective related to the activities allowed or unallowed and allowable cost/cost principles compliance requirements is to provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with applicable cost principles.

Condition

During our testing of controls over compliance with the activities allowed or unallowed and allowable cost/cost principles for non-payroll expenditures, we noted the following deviations from the City's established controls:

- 2 out of 40 samples were for payments processed outside of the City's policies and procedures for purchases, including the provisions under the City's Emergency Services Ordinance. The 2 payments for \$79,904 and \$94,500 exceeded the limit for decentralized purchases, which therefore required a purchase order number from the City's Purchasing Division to ensure the accountability of procurements and qualification of new vendors. However, the payments were made via direct wire transfer, circumventing the City's established policies and procedures over procurements. In addition, the wire transfer requests for these payments were initiated and authorized by the same individual; said individual was not the Director of Emergency Services or a member of the City Council.

We also noted the following instances of noncompliance with the activities allowed or unallowed and allowable cost/cost principles for non-payroll expenditures:

- 1 out of 40 samples were costs for food items. It was noted in the documents provided by the City that the costs were for "COVID EOC Lunch meetings – Round Table Pizza and Chipotle, and snack provisions from Walmart and Grocery Outlet," under the criteria, "Any other necessary COVID-19 expense." Based on the Guidance issued by the Treasury, the costs (\$188) do not appear to be eligible expenditures under the CRF.
- 1 out of 40 samples was a transfer of \$750,000* related to funds passed by the City to a subrecipient during the fiscal year; this was not included in total amount provided to subrecipients on the City's preliminary SEFA as required under §200.510(b)(4). This was also not in compliance with the Subrecipient Monitoring requirement; see details under Finding 2020-005.
- 4 out of 40 samples were amounts passed through to subrecipients after fiscal year-end, and the disbursements were improperly recorded as CRF expenditures during the audit period and included in the City's preliminary SEFA; these samples totaling \$446,875* were not in conformance with §200.502. These samples were also not in compliance with the Subrecipient Monitoring requirement; see details under Finding 2020-005.

The preliminary SEFA provided by the City for the year ended June 30, 2020, reported CRF total expenditures of \$13,462,437 and \$0 passed-through to subrecipients. After audit adjustments for the amounts (*) above and adjustments of \$719,195 identified by the City, CRF expenditures total \$13,734,757 and \$750,000 passed-through to subrecipients.

Cause of Condition

The City's existing internal control system is not designed, or operating as designed, to prevent or detect and correct noncompliance of CRF expenditures on a timely basis. However, this appears to be isolated to transactions made by members of the City's CARES Action Team and Emergency Operations Center (EOC), as there is inadequate segregation of duties among those who initiate payments and those who approve payments.

Repeat Finding

No.

Effect of Condition

The inability to properly identify and track federal expenditures or to detect misstatements in the SEFA increases the likelihood that federal expenditures would not be fairly reported. There is increased risk of noncompliance with the requirements set forth in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* which can jeopardize future federal funding as well as result in the payback of federal awards.

In addition, Section 601(f)(2) of the Social Security Act provides that if the Treasury Office of Inspector General (OIG) determines that a recipient of payments from the CRF has failed to comply with the use of funds provisions of Section 601(d), the amount equal to the amount of funds used in violation of such subsection shall be booked as a debt of such entity owed to the federal government.

Recommendation

Although we recognize that the City was under intense pressure to procure goods and services quickly during the COVID-19 public health emergency and took steps to maximize reimbursement under the CRF, we recommend the City design and implement internal control policies and procedures to ensure that all transactions related to payments from the CRF, especially those made by members of the City's CARES Action Team and EOC, are in compliance with the requirements outlined under the CRF. We also recommend the City improve segregation of duties over CRF expenditures to ensure that no one person can initiate and approve a transaction. If segregation of duties is not practical, management should develop alternative, compensating control activities in the form of independent verification to ensure proper review and approval at all levels. In addition, we recommend adherence to the City's written policy regarding the centralization of purchases through the City's Purchasing Division, and special attention should be given to any deviation from the City's established policies and procedures over procurements.

Management Response and Corrective Action Plan

The City would like to comment on various aspects of this finding:

In reference to the wires for two purchases (\$79,904 and \$94,500):

The City disagrees that these purchases violated the City's internal control practices. In the matter of the individual requesting the wire, the City agrees that one individual was listed as requesting and authorizing the wire. However, two other individuals were responsible for booking and approving the journal, thus maintaining segregation of duties and internal control. City staff also had the authority to make these purchases without going through the Purchasing Unit based on the following Municipal Code section:

SEC. 2-506. - POWERS AND DUTIES OF DIRECTOR OF EMERGENCY SERVICES DURING DISASTER, EMERGENCY OR STATE OF EMERGENCY.

In the event of the proclamation of a disaster or emergency as herein provided or by the proclamation of a state of emergency by the Governor or the State Director of Emergency Services, the Director, or City Council by majority vote (except for subsections (a), (b), and (o) below), is hereby empowered to:

(j) Obtain vital supplies, equipment, and such other properties found lacking and needed for the protection of life and property of the people, and bind the City for the fair value thereof, and if required immediately, to commandeer the same for public use. Any expenditures made in such connection with emergency service activities, including mutual aid activities, shall be deemed conclusively to be for the direct protection and benefit of the inhabitants and property of the City.

In reference to EOC Meals (\$188):

The City believes this is an eligible expense. Instruction that City staff received regarding expenses eligible for CARES reimbursement was to use Federal Emergency Management Agency (FEMA) guidelines in the absence of clear CRF guidance. At the time that the EOC meals expense was incurred, there was no guidance regarding meal reimbursement for CRF expenditures. Based on the FEMA Public Assistance Program and Policy Guide (V3.1) for April 2018, City staff felt that the expenses fit the following criteria:

8. Meals

Applicants often provide meals for emergency workers. Provision of meals, including beverages and meal supplies, for employees and volunteers engaged in eligible Emergency Work, including those at EOCs, is eligible provided the individuals are not receiving per diem and one of the following circumstances apply:

- *Meals are required based on a labor policy or written agreement that meets the requirements of Chapter 2:V.A.1;*
- *Conditions constitute a level of severity that requires employees to work abnormal, extended work hours without a reasonable amount of time to provide for their own meals; or*
- *Food or water is not reasonably available for employees to purchase.*

FEMA only reimburses the cost of meals that are brought to the work location and purchased in a cost-effective and reasonable manner, such as bulk meals. FEMA does not reimburse costs related to group outings at restaurants or individual meals.

In reference to SEFA reporting:

The City agrees with the findings and associated recommendations. The handling of the SEFA reporting has been updated.

Current Year Status

Implemented.

Finding 2020-005 – Coronavirus Relief Fund Subrecipient Monitoring (Significant Deficiency)

Program: Coronavirus Relief Fund (CRF)
CFDA No.: 21.019
Federal Agency: U.S. Department of the Treasury (Treasury)
Passed Through: N/A – Direct Program
Award Year: Fiscal Year 2019-2020
Compliance Requirement: Subrecipient Monitoring
Questioned Costs: \$625,000

Criteria

§200.510(b) under the Uniform Guidance states that the auditee (City) must prepare a SEFA for the period covered by the City's financial statements, which must include the total federal awards expended as determined in accordance with §200.502. Per §200.502, the determination of when a Federal award is expended must be based on when the activity related to the Federal award occurs; for amounts passed through to subrecipients, the basis is when the disbursement is made.

At a minimum, the schedule must include the total amount provided to subrecipients from each Federal program under §200.510(b)(4).

In addition, §200.331 states that a pass-through entity (the City) must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. A pass-through entity (the City) with subrecipients is required to evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring. Depending upon the pass-through entity's assessment of risk posed by the subrecipient, the entity must develop techniques/tools to ensure proper accountability and compliance with program requirements and achievement of performance goals by the subrecipient.

Furthermore, §200.332(a) states that a pass-through entity (the City) must ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the required award information so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the Federal award.

Condition

The City did not include the total amount of \$750,000 provided to subrecipients in the preliminary SEFA for the year ended June 30, 2020. We also noted the City included amounts disbursed to subrecipients subsequent to year-end within the total amount of CRF expenditures in the preliminary SEFA for the year ended June 30, 2020; the amounts in question totaled \$625,000, which includes \$446,875 noted in Finding 2020-004. Furthermore, the City did not ensure that every subaward was clearly identified to the subrecipients or perform monitoring procedures as required under the Uniform Guidance.

Cause of Condition

The City's existing internal control system is not properly designed to meet the control objectives under subrecipient monitoring.

The City appropriated CARES Act monies to create various programs (Housing Retention Grant Program, Save Our Small Business Program, and Farm to Family Program) to provide economic support in connection with the COVID-19 public health emergency, and payments were made to various agencies to administer those programs. Per discussion with management, due to the covered period outlined in the initial guidance released by the Treasury on April 22, 2020, management was pressed to expend the City's CRF allocation by December 30, 2020.

Repeat Finding

No.

Effect of Condition

There is increased risk of noncompliance with the subrecipient monitoring requirement as set forth in the U.S. Office of Management and Budget (OMB) *Compliance Supplement*, which can jeopardize future federal funding as well as result in the payback of federal awards.

Recommendation

We recognize that the City took steps to maximize reimbursement under the CRF program and there were numerous revisions to the Treasury's CRF program guidance subsequent to actions already taken by the City. We also noted that the City conducted spot audits to ensure that the agencies were following eligibility requirements outlined for the various programs created with CRF funds, but the subrecipient monitoring requirements under the Uniform Guidance were overlooked. Management has since expressed their intentions to improve accountability, so as part of ongoing efforts, we recommend management within the City's Finance Department design and implement internal control activities over the subrecipient monitoring compliance requirement under the Uniform Guidance. We also recommend the City create policies and procedures for making required communications to the subrecipients and monitoring the subrecipients' activities as required. In addition, we recommend that a responsible member of management reviews costs charged to the CRF in accordance with applicable grant agreements and cost principles.

Management Response and Corrective Action Plan

Given the health emergency and the (then) CARES Act deadline of December 30, 2020, the City did not (and does not) believe that it was feasible to conduct a subrecipient risk assessment prior to funds being disbursed and still meet the then CARES Act deadlines. City staff did audit subrecipients after funds were disbursed. While the City acknowledges that not evaluating the subrecipients' risk is a technical violation, the City does not believe it is a material violation given the factors mentioned previously. With grants that have a longer time frame for expenditure, the City will conduct a risk assessment per the Uniform Guidance.

Current Year Status

Partially implemented. See current year finding 2021-003.

**CITY OF FRESNO
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021**

FINANCIAL STATEMENT FINDINGS

2021-001 – Internal Audits, Staffing, and Risk Assessment (Significant Deficiency)

Management Response:

Management agrees with these recommendations, and has taken steps to address them. An Internal Auditor position was added to the Unit in November 2020 and was filled in January 2021. Additionally, the Council Finance and Audit Subcommittee met on February 23, 2020, to discuss the Fiscal Year (FY) 2020 Comprehensive Annual Financial Report and a recently completed Fire Overtime audit. The Finance and Audit Subcommittee expressed an intent to meet again once the follow-up audits on Parking and Police are complete.

Unfortunately, the progress the City initially made on addressing this recommendation has stalled. The Audit Committee has not met since February 2021. Additionally, while an additional staff member was added in January 2021, Internal Audit has experienced some long-term absences which had the practical effect of keeping staffing at levels identified in the condition.

Even with those challenges, the Internal Audit Unit made significant progress over the past year. The follow-up Parking audit was finalized and issued. The follow-up Police audit was also finalized and issued. However, Internal Audit received a request from the City Manager's Office to conduct an additional review to the follow-up Police audit. It, too, was finalized. The FY 2022 Risk Assessment is complete. The Unit is currently in the process of finalizing a grants audit of the Transportation Department. Lastly, we recently began an audit of the procurement process for the Airports Department and wireless services charges administered by the Information Services Department.

Views of Responsible Officials and Corrective Action

The City employed an additional internal audit staff in January 2021. In addition, The Council Finance and Audit subcommittee was more involved to monitor and direct the Internal Audit Department.

Anticipated Completion Date

2/28/2023

Contact Information of Responsible Official

Name: Michael Lima
Title: Controller
Phone: 559-621-7001

2021-002 – Receivables Reporting and Related Closing Process (Significant Deficiency)

Management Response:

The City will implement a procedure to verify each of the entries that affect intergovernmental receivables is addressed. We will confirm that the reported ending balance matches to supporting documentation received from third party sources. Peer review will verify the reconciliation between the two sources.

Views of Responsible Officials and Corrective Action

A peer review process and a second senior staff review will be developed and implemented to reduce errors and unrecorded items during the year end closing.

Anticipated Completion Date

10/31/2022

Contact Information of Responsible Official

Name: Michael Lima
Title: Controller
Phone: 559-621-7001

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-003 – Coronavirus Relief Fund Subrecipient Monitoring (Significant Deficiency)

Management's Response or Department's Response

As of July 1, 2022, the City has in place a formal Subrecipient Monitoring policy. The City created this policy to identify and administer subawards consistent with the requirements established by Office of Management and Budget (OMB) in the section federal regulation 2 CFR part 200 "Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards."

The City has also created a Grants Management Unit in the Finance Department. This Unit is charged with implementing and enforcing the Subrecipient Monitoring policy, including conducting risk assessments with the subrecipients, working with them to address any internal control deficiencies, and monitoring subrecipient activity to insure compliance with the Uniform Guidance. The City has not had a dedicated Grants Management Unit for many years. The creation of such a unit is tangible proof of the commitment the City has toward managing its grants in compliance with the Uniform Guidance.

The implementation of this policy will facilitate adequate monitoring of the accountability and adherence to the program requirements for subrecipients.

Views of Responsible Officials and Corrective Action

Assessment will be conducted for grants funding passed through to third parties to determine if they are contractors or subrecipients.

Anticipated Completion Date

10/31/2022

Contact Information of Responsible Official

Name: Michael Lima
Title: Controller
Phone: 559-621-7001

Finding 2021-004 – Economic Adjustment Assistance Subrecipient Monitoring (Significant Deficiency)

Management's Response or Department's Response

After reviewing the auditors' rationale and conclusions, the City agrees that Cen-Cal is a subrecipient as defined by the Uniform Guidance. As such, the City will use its Subrecipient Monitoring policy (implemented as of July 1, 2022) to govern the interactions between Cen-Cal and the City in the use of monies in the Fresno Revolving Loan Fund

Views of Responsible Officials and Corrective Action

Assessment will be conducted for grants funding passed through to third parties to determine if they are contractors or subrecipients.

Anticipated Completion Date

10/31/2022

Contact Information of Responsible Official

Name: Michael Lima
Title: Controller
Phone: 559-621-7001